



State of Wisconsin \ LEGISLATIVE AUDIT BUREAU

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INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying combined balance sheet of the State of Wisconsin Department of Employee Trust Funds, the statement of plan net assets of the Wisconsin Retirement System, and the statement of net assets of the Milwaukee Retirement Systems Investment Trust Fund as of December 31, 2000, as well as the related combined statement of revenues, expenditures, and changes in fund balance of governmental fund types and expendable trust funds; the related combined statement of revenues, expenses, and changes in retained earnings of enterprise funds; the related combined statement of cash flows of enterprise funds; and the related statements of changes in plan net assets of the Wisconsin Retirement System and changes in net assets of the Milwaukee Retirement Systems Investment Trust Fund for the year then ended. These financial statements are the responsibility of the State of Wisconsin Department of Employee Trust Funds' management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Deferred Compensation Plan, which represents 63.7 percent of the assets of the expendable trust funds and 1.7 percent of the combined assets. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Deferred Compensation Plan, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Deferred Compensation Plan were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements referred to above present only the transactions of and programs administered by the Department of Employee Trust Funds and do not purport to, and do not, present fairly the financial position of the State of Wisconsin and the changes in its financial position and its cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 7, the Wisconsin Supreme Court upheld 1999 Wisconsin Act 11 in June 2001. Act 11, which was effective on December 30, 1999, resulted in funding and benefit changes in the Wisconsin Retirement System that are described in Note 7. The provisions of Act 11 were incorporated into the financial statements as applicable for the year ended December 31, 2000.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the State of Wisconsin Department of Employee Trust Funds, the Wisconsin Retirement System, and the Milwaukee Retirement Systems Investment Trust Fund as of December 31, 2000, and the results of operations, the cash flows of enterprise fund types, the changes in plan net assets of the Wisconsin Retirement System, and the changes in net assets for the Milwaukee Retirement Systems Investment Trust Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The required supplementary information on the Wisconsin Retirement System's schedules of funding progress and employer contributions, and the required supplementary information on claims development information for public entity risk pools, are not required parts of the combined financial statements but are supplementary information required by Governmental Accounting Standards Board statements 10 and 25. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it.

Our audit was made for the purpose of forming an opinion on the combined financial statements of the State of Wisconsin Department of Employee Trust Funds taken as a whole. The combining statements are presented for purposes of additional analysis and are not a required part of the combined financial statements of the State of Wisconsin Department of Employee Trust Funds. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, based on our audit and the report of the other auditors, is fairly presented in all material respects in relation to the combined financial statements taken as a whole.

The Introduction and the sections entitled Statistics, Actuarial, Investments, and Employers and Unfunded Actuarial Accrued Balance, as listed in the table of contents, were not audited by us and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we will also issue a report dated August 23, 2002, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations. That report, which will be included in a management letter to the Department, is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

LEGISLATIVE AUDIT BUREAU

August 23, 2002

by



Janice Mueller
State Auditor